

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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FEB 23 2004

In the Matter of:

AN ADJUSTMENT OF THE ELECTRIC RATES, )  
TERMS AND CONDITIONS OF LOUISVILLE )  
GAS AND ELECTRIC COMPANY )

PUBLIC SERVICE )  
COMMISSION )  
CASE NO. )  
2003-00433 ✓

AND

In the Matter of:

AN ADJUSTMENT OF THE ELECTRIC RATES, )  
TERMS AND CONDITIONS OF KENTUCKY )  
UTILITIES COMPANY )

CASE NO. )  
2003-00434

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TESTIMONY OF THOMAS "KIP" BOWMAR ON BEHALF OF KACA

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**Indicate your name, address and describe your present position and background**

My name is Thomas "Kip" Bowmar and I have served as the Executive Director of the Kentucky Association for Community Action, Inc. since 1994. KACA is located in Frankfort. Prior to that I served as the Executive Director of the Kentucky Propane Gas Association for three years. I have a bachelors degree from the University of Kentucky and Masters of Public Administration from Kentucky State University. I serve on the Collaborative of the American Electric Power DSM program and the Western Kentucky Gas DSM program. I previously served on the Public Service Commission's Taskforce on Natural Gas Unbundling.

**Describe the purpose of your testimony**

The purpose of my testimony is to discuss the impact of Louisville Gas and Electric and Kentucky Utilities proposed rate and fee increases on their low income customers. The 23 Community Action Agencies that I represent do not feel that the presently proposed format of rates and fee increases adequately met the needs of its low income customers.

**Please describe KACA and give a brief description of its activities and objectives**

The Kentucky Association for Community Action is composed of the 23 Community Action Agencies that provide social services and self sufficiency opportunities to low and moderate income Kentuckians in all 120 counties of the state. The member agencies operate a wide variety of programs ranging from Head Start to Weatherization to transportation to senior services to energy assistance to self sufficiency and employment and training to family preservation to housing and more. KACA serves as the Association that represents all of the agencies. KACA operates the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Program and sub-contracts them to its member agencies and one unit of local government. In addition, KACA sub-contracts two Residential Energy Assistance Challenge (REACH) programs, one in Jefferson County and one to the Community Action Council in Lexington. KACA also provides technical assistance to DSM collaboratives around the state. KACA operates an environmental training and technical assistance program that helps provide solutions to rural communities with populations of less than 10,000 people for water and waste water problems. KACA operates housing programs that include a loan fund to help low income home owners borrow money to rehabilitate their homes at below market interest rates. Its

other housing program provides money to Community Action Agencies to work on rehabilitation projects and new construction.

**Please expand upon the programs and services operated to help customers with energy needs.**

KACA has operated the LIHEAP program since 1986 and its member agencies have operated parts of the program since the late 1970s. KACA provides training and technical assistance to its member agencies in operating the program. KACA works with agencies in designing elements of the program when they wish to perform budget counseling with its customers as part of its LIHEAP program in an effort to reduce energy bills and the energy burden. KACA creates and updates program manual, operates a toll-free hotline year round for customers, vendors, and utilities. KACA monitors its member agencies for compliance. KACA aggregates the data from the 23 agencies for reports for the state, funding sources, the media, and other stakeholders.

In the 2003-2004 heating season (it's not quite over yet), we are projecting that we will serve 187,000 households with a little over \$19 million in benefits and an average benefit of approximately \$104.

The Weatherization Program serves approximately 2,200 household across the state by providing a variety of services including adding floor insulation, repairing and replacing inefficient or unsafe heating systems, duct sealing, hot water heater wraps, refrigerator replacements (in rare cases where the energy savings are likely to be significant), weather

stripping, duct repair, reducing air infiltration, adding or increasing attic insulation and more. The agencies use the NEAT audit to tell them which measures are the most energy efficient and have the greatest potential to produce energy savings.

KACA provides training and technical assistance to the agencies on a variety of topics including integrating DSM programs with Weatherization, administrative requirements, and more.

### **Talk about poverty in the LG&E and KU service territories**

LG&E and KU serve approximately 90 of the 120 counties in Kentucky combined. The poverty rate in Kentucky is approximate 15%. Given that the combined companies have approximately 800,000 customers and applying the state poverty rate, it is reasonable to project that the companies have approximately 100,00 to 120,000 households, not just individuals, below the poverty line. In Jefferson County alone, which has approximately 650,000 people, the poverty rate is about 13%, which means there are about 80,000 people below the poverty line and the overwhelming majority of them are LG&E customers.

### **What exactly does being below the poverty line mean and what does that mean for low income utility customers**

In this discussion it is easy to think of poverty as an abstract thing, so I think it is helpful to examine what the poverty line is and what it means for low income customers.

According to the Federal poverty guidelines issued by the Department for Health and

Human Services in Washington, D.C., a family of four is below the poverty line if their income does not exceed \$18,400. Keep in mind that is before taxes. With such low incomes, that is where the term energy burden comes into play. A study done by the U.S. Department of Energy in 1994 found that low income households typically pay 15% of their income to pay their home energy costs, while those who were not low income paid between 3-5% of their incomes. This is a 300-500% higher proportion of their income for low income customers to pay their energy bills. This is what we describe as the energy burden. This is particularly true for disabled people and seniors living on a fixed income who need utility service for to preserve a minimum standard of living.

**Discuss the companies' proposed rate and fee increases and their impact on low income customers**

The company has estimated that the average customer will see bill increases in the neighborhood of \$5 per month. With approximately 120,000 low income customers, this will add approximately \$6 million in energy burden on to customers who cannot presently afford to pay their bills. It will increase the demand for energy assistance at a time when the federal commitment to the program is in doubt and does not meet the current need.

The fee increases are also troubling. KU has proposed increasing the reconnect fee from \$10.50 to \$31, an increase of nearly 300%, increasing the deposits from a range of 50% to 125%, increasing the returned check charge by 80%, and the meter testing fee by over 100%. There are similar proposed increases for LG&E.

The impact is that many of the LIHEAP and other energy assistance dollars will be used on these increased fees and not actual energy costs, which will increase the customers' arrearages and increase the likelihood that the company will see an increase in bad debt. If bad debt increases, then ultimately all ratepayers will bear those costs.

**What suggestions or solutions do you propose**

I would encourage the company in both of its service territories to expand its programs that provide energy assistance to low income customers. When these programs are structured in the proper fashion they reduce energy burden, increase self sufficiency, foster better payment behavior on the part of low income customers, reduce bad debt, and reduce energy consumption.

Simply increasing fees and rates on a population that cannot already pay their bills will only serve to exacerbate existing problems.

Pilots and programs with Synergy, Columbia Gas, and Louisville Gas and Electric have all shown that they can reduce bad debt, increase payments from low income households, and reduce arrearages. I strongly think the company should look at creating a program to help address that need.

**Does this conclude your testimony.**

Yes.

COMMONWELATH OF KENTUCKY

COUNTY OF FAYETTE

Subscribed and Sworn to before me by: *Tom "Kip" Brown*

On this 19<sup>th</sup> day of March, 2004

My Commission Expires 2/1/2006

*J. H. Smith*

Notary Public

State at Large